Channels of Distribution

Chapter 21

Ch 21 Sec. 1 -- Distribution

What you'll learn

- The concept of a channel of distribution
- Who channel members are
- The different non-store retailing methods
- How channels of distribution differ for consumer and business-to-business products

Channel of Distribution

The path a product takes from producer or manufacturer to the final user.

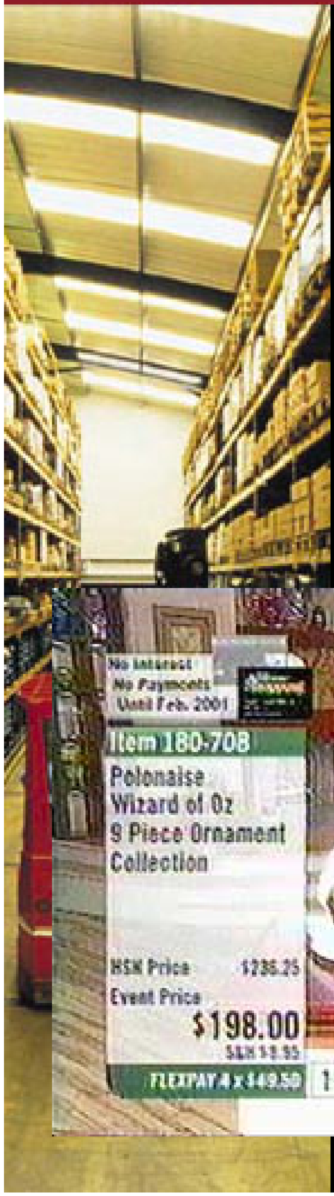
Channel Members are called intermediaries

- Intermediaries provide value to producers because they often have expertise in certain areas that producers do not have.
- Intermediaries are experts in displaying, merchandising, and providing convenient shopping locations and hours for customers.

Channel Members are called intermediaries

- Wholesalers – buy large quantities of goods from manufacturers, store the goods, then resell them to other businesses
  - Rack jobbers – manage inventory and merchandising for retailers by counting stock, filling it in when needed, and maintaining store displays.
  - Drop shippers –own the goods they sell but do not physically handle the actual products.

<u>Retailers</u> – sell goods to the final consumer for personal use



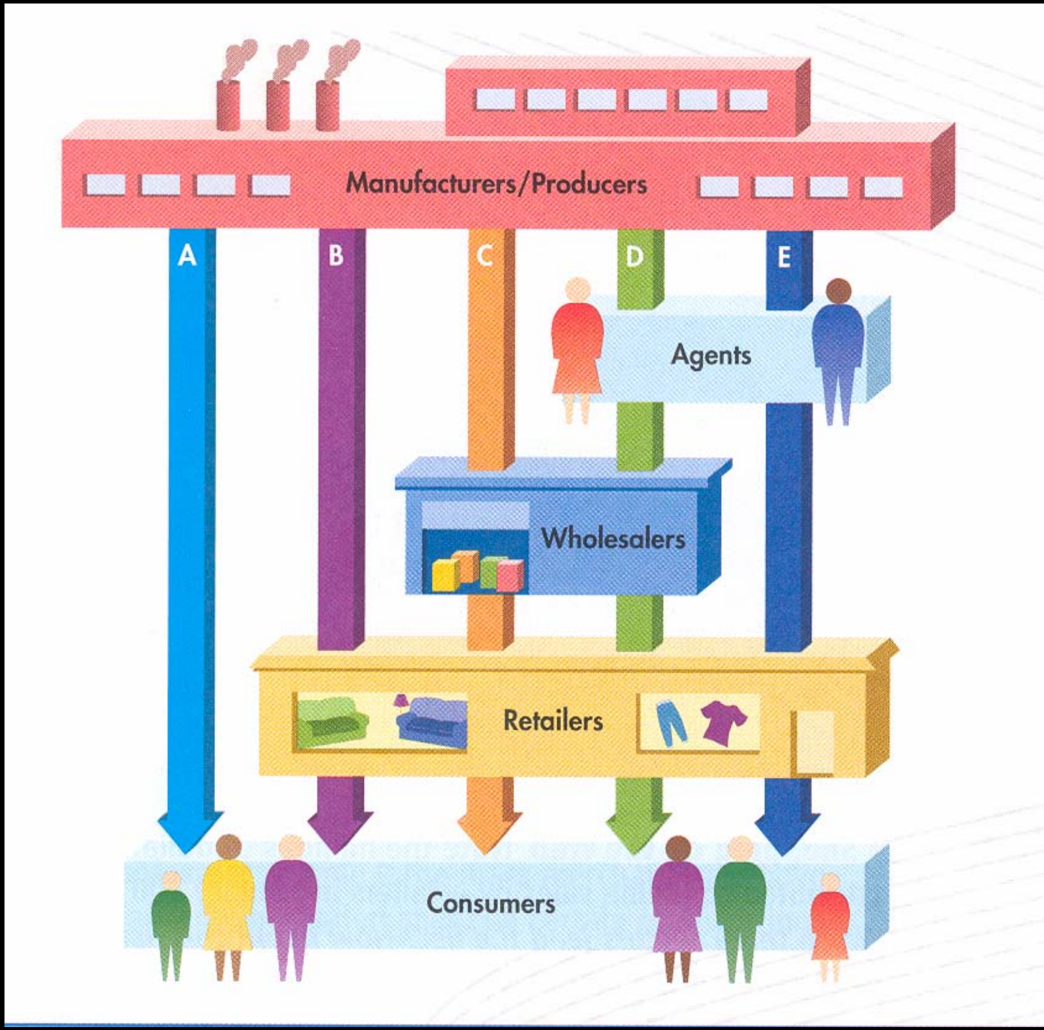
- – Brick and mortar retailers
- – Automatic retailing – vending service
- – Direct mail and catalogs
- – TV home shopping
- – E-tailing – online retailing

Agents – do not own the goods they sell. They bring buyers and sellers together

Direct and Indirect Channels

- Direct distribution occurs when the goods or services are sold from the producer directly to the customer – no intermediaries are involved.
  - Example: A farmer sells corn at a street market.
- Indirect distribution involves one or more intermediaries.

Channels in the consumer markets



Channels in industrial markets